



The Federal Excise Tax on New Heavy-Duty Trucks Should Be Repealed
Members Are Urged to Cosponsor H.R. 2946/S. 3052

Issue

Congress imposes a 12 percent federal excise tax (FET) on the retail sale of most new heavy-duty trucks. The FET depresses new heavy-duty truck sales and delays the deployment of cleaner, safer, and more fuel-efficient trucks. This tax is in addition to the nearly \$40,000 in recent federal emissions and fuel economy mandates that will make it harder for small businesses to afford a new heavy-duty truck. Congress should include legislation to repeal the FET, H.R. 2946/S. 3052, in a potential infrastructure package to end this onerous tax and promote economic growth and job creation.

Background

The FET on heavy-duty trucks was originally imposed in 1917 to help defray the cost of World War I. This tax on most new heavy-duty trucks, tractors and trailers has grown from 3 percent when it was incorporated into the Highway Trust Fund (HTF) in 1955 to 12 percent today. The FET is the highest excise tax on a percentage basis that Congress levies on a product.

This tax often adds as much as \$22,000 or more to the price of a new heavy-duty truck. If truck buyers cannot afford to purchase new trucks because of excessive taxes or burdensome regulations, the environmental and safety benefits of these new trucks will be delayed.

The FET is also a complex and difficult tax to administer. Truck dealers incur considerable costs navigating IRS regulations and paperwork associated with collecting this retail tax. The tax depends on highly customizable options for trucks that make each sale unique. Since the FET is based on annual sales, which can vary greatly, the tax also fails to provide certainty to the highway trust fund (HTF). This excise tax has been the most inconsistent source of revenue for the HTF over the past twenty years. Congress should replace the FET with a more consistent revenue mechanism to fund the HTF.

Key Points

- The 12 percent FET on heavy-duty trucks is the highest percentage rate of any federal excise tax. Congress should repeal this tax to ensure quicker deployment of cleaner and more fuel-efficient trucks.
- The FET hurts heavy-duty truck sales and inhibits job growth, directly impacting the 7.4 million Americans employed in trucking-related jobs.
- Repeal of the tax would improve highway safety by spurring the sale of new trucks with current safety technologies that help prevent crashes and save lives.

Status

H.R. 2946, introduced by Rep. Doug LaMalfa (R-Calif.) on June 20, 2017, was referred to the House Ways and Means Committee. The bill currently has 17 bipartisan cosponsors. Sen. Cory Gardner (R-Colo.) introduced S. 3052, similar to H.R. 2946, on June 12, 2018. This legislation was referred to the Senate Finance Committee. **Members are urged to cosponsor H.R. 2946/S. 3052 to spur new truck sales and promote the entry of cleaner and safer trucks to modernize the trucking fleet.**

June 14, 2018